

From: Bev Gibbs, **Financial Advisor, KEIFCA**

To: Kent and Essex Inshore Fisheries and Conservation Authority –
23 May 2017

Subject: TREASURY MANAGEMENT STRATEGY

Classification: **Unrestricted**

Summary:

This paper details the Treasury Management Strategy for the Authority during the 2017-18 financial year. It follows the Kent County Council Treasury Management Strategy where appropriate.

Recommendation:

Members are asked to **NOTE** the strategy as it is explained at paragraph 3.2 and 3.3 with KEIFCA monies remaining on deposit with Kent County Council unless better opportunities are found and **APPROVE** it for the year

1. Introduction

- 1.1 Under financial regulations the financial advisor is responsible for reporting to the Authority a treasury management strategy and updating such a report on a yearly basis, usually as part of the budget setting process/ medium term plan. This report sets out the treasury management strategy.
- 1.2 Local authority's treasury activities, both borrowing and investment, are strictly regulated by statutory requirements and the CIPFA Treasury Management in the Public Services: Code of Practice and Cross-sectoral guidance notes. A fundamental requirement of the regulations and guidance notes is the formulation of an annual Treasury Management Strategy. Such a strategy should include:
 - Borrowing and investment projections
 - The expected movement in interest rates
 - Borrowing and investment strategies
 - Treasury management performance indicators

1.3 The Kent and Essex Inshore Fisheries and Conservation Authority has no borrowing, nor will it have in the foreseeable future, and only has positive cash balances. At present the Authority has £882,324 invested, via Kent County Council, in the equivalent of seven day money at a rate tied to LIBOR (London Inter-Bank Offered Rate). The interest received by KEIFCA on the investment in 2016-17 was £3,359.

2. Current Strategy

2.1 The strategy that had previously been agreed was that investments be restricted to a very narrow range of investments which met the following criteria:-

- The UK government and other local authorities
- Financial institutions nationalised by the UK government
- UK based bank and building societies that have credit ratings equivalent or better than the following

Rating category	Credit Rating Agencies		
	Fitch	Standard and Poor	Moody's
Short term rating	F1	A-1	P-1
Long term rating	A	A	A2
Individual / financial strength rating	B		C
Support rating	3		

- Where counterparties were rated by more than one credit rating agency, the lowest rating will be used to determine whether or not it is included on the counterparty list

3. Current Position

3.1 The changes to the regulatory regime for UK and European banks in January and July 2015 make bank deposits which have been the bedrock of Kent County Council's investment strategy far riskier than previously and mean that bank positions will need to be reduced and the strategy of diversifying into other asset classes taken further. Whilst Kent are pursuing this strategy, the amount of KEIFCA's funds make it sensible to remain with an investment strategy that is bank deposit based. Having KEIFCA's money invested with KCC seems the prudent approach as the Authority benefits from KCC's spread across all banks and lessens the risk currently associated with bank deposits. The Committee could still invest in a bank in its own name if the Committee recommends it. Advisors to Kent County Council have indicated that a minimum long term rating of A- for UK banks should be the criterion for including banks on the counterparty list. The full Treasury Management Strategy for Kent County Council is contained within the Medium Term Financial Plan which can be found by following the link below:

http://www.kent.gov.uk/_data/assets/pdf_file/0007/66535/medium-term-financial-plan-2017-20.pdf

3.2 The current counterparty list for Kent County Council gives the following UK banks:-

- Barclays Bank Plc
- HSBC Bank Plc
- Lloyds Banking Group – Lloyds/Bank of Scotland
- Santander UK Plc
- Nationwide Building Society
- Svenska Handelsbanken
- Leeds Building Society
- Close Brothers
- Specific small UK building societies

Whilst all of these banks would be available to KEIFCA the Committee decided at the May 2012 meeting that Santander UK would not be included.

3.3 In addition to UK banks there are 14 overseas banks which would meet the criteria (1 Netherlands, 2 Singapore, 1 Danish, 5 Canadian, 4 Australian and 1 US bank) but it is recommended that these are not included in the counterparty list.

Recommendation:

Members are asked to **NOTE** the strategy as it is explained at paragraph 3.2 and 3.3 with KEIFCA monies remaining on deposit with Kent County Council unless better opportunities are found and **APPROVE** it for the year

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